

NSC BRIEFING

5 April 1955

BACKGROUND--CRISIS IN SOUTH VIETNAM

I. The present crisis in Saigon--Premier Diem's explosive dispute with the Binh Xuyen gangster society--is a particularly revealing example of the way in which French determination to maintain almost any sort of patchwork status quo in Vietnam serves to frustrate the development of a strong, nationalist government.

A. Opposition between the Diem government and the Binh Xuyen began to reach the crisis level on 26 March, when Premier Diem ordered the transfer of the Saigon police force from the control of the Binh Xuyen to the control of the prefect (mayor) of Saigon.

B. This transfer affected only the Saigon municipal police, leaving the National police still in charge of a Binh Xuyen man, Lai Van Sang.

C. By this move, Diem nonetheless put a partial end to the paradox of a gangster-controlled police force--a paradox which had obtained without French remedial action since May 1954 (when Bao Dai sold control of the police force to the Binh Xuyen for \$1,000,000).

1. Since that time, Bao Dai has derived funds and political strength from the Binh Xuyen, while that organization has had the benefit of Bao Dai's patronage.

II. This partial transfer was peacefully carried out, but during the early hours of 30 March, Binh Xuyen elements --seemingly in anticipation of further government actions-- went on the offensive and simultaneously attacked the city police station and an army headquarters.

- A. Diem's national army troops immediately and vigorously counterattacked. Under French pressure, a "truce" then was arranged.
- B. Premier Diem then wished to go on to remove the Binh Xuyen completely from Saigon or to destroy it. With some fourteen battalions (numbering about 10,000 men) in and around Saigon against the Binh Xuyen's 3,500 troops, Diem had the ability to do so.
- C. But the French--determined, at any cost, to preserve a fiction of "law and order"--deployed their own troops in Saigon in a manner to block any government action. Result--a series of "truces" up to the present.

III. During this "truce" period, the Binh Xuyen has continued to vilify the government, has imposed a blockade of sorts against the movement of food into Saigon, and has called on Bao Dai to replace Premier Diem.

- A. Bao Dai, [REDACTED] to Diem has expressed his disappointment that Diem had allowed matters to come to bloodshed...a veiled hint that Diem should resign.

IV. Diem feels that, in the face of the Binh Xuyen's defiance, his only course is to remove Lai Van Sang from his position as chief of the national police.

~~TOP SECRET~~

- A. US Ambassador Collins agrees. General Ely, however, has taken a very firm position against the removal of Sang and insists that the government refrain from the use of force against the rebels. A measure of Ely's attitude is his angry statement that, if necessary to preserve order, he would arrest Diem.
- B. According to pre-government sources, the French army has deliberately withheld gasoline and ammunition from the Vietnamese army, which even at this late date has only a rudimentary quartermaster organization. Ely has explosively denied the charge of withholding gasoline.
- V. The strongest evidence of French intent--witting or otherwise--to cripple or destroy the Diem government is the French proposal that the present crisis be solved by a "settlement" between the government and the several so-called "sects" of South Vietnam--the gangster Binh Xuyen, as well as the quasi-religious Cao Dai, and Hoa Hao. The machinery--have Bao Dai invite Diem and the sect leaders to Paris where he would arbitrate their dispute.
 - A. This plan is heavily loaded against Diem.
 - 1. It would put Diem's government on a par with the self-seeking, feudal sects.
 - 2. By removing the premier from the Saigon scene, it would facilitate the subversive activities of the sects.